

Message Text

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PAGE 01 PARIS 09546 01 OF 02 051818 Z

47

ACTION EB-11

INFO OCT-01 EUR-25 IO-12 ADP-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-02 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15

STR-08 TAR-02 TRSE-00 USIA-12 PRS-01 SAL-01 OMB-01

RSR-01 OIC-04 /183 W

----- 119513

P R 051630 Z APR 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 8962

INFO USMISSION GENEVA

USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 1 OF 2 PARIS 9546

E. O. 11652 : N/ A

TAGS: ETRD, GATT, FR

SUBJECT: GATT ARTICLE XXIII ACTION AGAINST FRANCE

PASS STR AND AGRICULTURE

REF: A. PARIS 8869

B. PARIS 8878

SUMMARY: FRENCH OFFER CONTAINED NO SURPRISED AND LEAVES ONLY PROBLEM OF CANNED PINEAPPLES TO BE RESOLVED. GOF ASSUMES WE WILL ACCEPT IT AND WHILE HOPEFUL THAT WE CAN LET PINEAPPLES DROP FOR NOW ARE PREPARED PROCEED IMMEDIATELY TO BILATERAL NEGOTIATIONS ON THIS ITEM. FRENCH HAVE REQUESTED THAT WE NOT REPEAT NOT NOTIFY GATT AND AGREE TO LEAVE THIS ITEM OFF COUNCIL AGENDA. EMBASSY VIEWS AND RECOMMENDATIONS ON ALTERNATIVES OPEN TO US ON PINEAPPLES SET FORTH BELOW.

ACTION REQUESTED: INSTRUCTIONS ON FUTURE NEGOTIATIONS WITH GOF ON PINEAPPLES. END SUMMARY.

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PAGE 02 PARIS 09546 01 OF 02 051818 Z

1. THE GOF HAS NOW GIVEN US ITS OFFER ON THE FIVE REMAINING AGRICULTURAL ITEMS STILL COVERED BY QRS. IT CONTAINS NO SURPRISES. PARA IV OF THE FRENCH NOTE MAKES CLEAR THE GOF READINESS TO TERMINATE THE QRS PROMPTLY IF THE EC SHOULD AGREE TO PROVIDE DEFICIENCY PAYMENTS TO THE FWI PINEAPPLE PRODUCERS, OR TO IMPLEMENT A MINIMUM IMPORT PRICE SYSTEM FOR PROCESSED FRUITS AND VEGETABLES.

2. WE WERE SOMEWHAT DUBIOUS ABOUT THE MEANING OF PARA V, AND DISCUSSED IT WITH OUR DREE CONTACTS. THEY EXPLAINED THAT THE GOF HOPED WE WOULD ACCEPT ITS OFFER. HOWEVER, THEY REALIZE THAT IT IS HIGHLY LIKELY THAT WE WILL NOT BE SATISFIED WITH THE LACK OF MOVEMENT ON PINEAPPLES AND WILL WANT SOME KIND OF COMPENSATION. IN THIS CASE, THEY HOPE THAT WE WILL AGREE THAT FUTURE DISCUSSIONS BE BILATERAL INSTEAD OF IN THE GATT.

3. ON THIS LATTER POINT, DREE SAID ITS IMPRESSION IS THAT US COMPLAINT WAS REMOVED FROM GATT COUNCIL AGENDA AT OUR REQUEST IN FEBRUARY (SEE PARA 2, STATE 18898). SINCE GOF HAS NOW MADE AN OFFER COVERING MOST OF THE ITEMS AND IS PREPARED TO DISCUSS THE PINEAPPLE PROBLEM BILATERALLY, THEY SEE NO REASON TO PURSUE THE MATTER IN THE GATT AND WOULD PREFER THAT WE NOT INSIST ON A NOTIFICATION TO THE COUNCIL THAT THE PROBLEM HAS BEEN RESOLVED. (COMMENT: WE BELIEVE THAT INTRODUCTION OF US COMPLAINT ON THIS SUBJECT ON GATT COUNCIL AGENDA LAST YEAR ACCOMPLISHED BOTH OF OUR PRIMARY OBJECTIVES, MAKING USE OF THE GATT TO RESOLVE TRADE PROBLEMS AND THEREBY ESTABLISHING ITS CREDIBILITY, AND PURSUADING THE GOF OF THE SERIOUSNESS OF OUR CONCERN AND OUR INTENTION TO PURSUE THE MATTER. AS A RESULT, WE HAVE NOW OBTAINED A SUBSTANTIAL OFFER FROM THEM AND A CLEAR INDICATION OF GOF READINESS TO WORK TOWARD RESOLUTION OF REMAINING PROBLEMS BILATERALLY. ACCORDINGLY, WE RECOMMEND THAT THE USG ACQUIESCE IN THE FRENCH REQUEST TO AVOID FURTHER DISCUSSION OF THIS SUBJECT IN THE GATT. GENEVA MAY WISH TO COMMENT ON THIS POINT.)

4. EMBASSY ASSUMES THAT THE FRENCH OFFER, AS FAR AS IT GOES, IS ACCEPTABLE TO USG. WE ALSO ASSUME THAT WE LIMITED OFFICIAL USE

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PAGE 03 PARIS 09546 01 OF 02 051818 Z

ARE NOT PREPARED TO ACCEPT THE LACK OF MOVEMENT ON

CANNED PINEAPPLES, SINCE THIS ITEM REPRESENTS MAJOR INTEREST IN TRADE TERMS. FROM THIS VANTAGE POINT, WE SEE OUR PRIMARY OBJECTIVE AS ENLARGING POSSIBILITY OF US EXPORTS OF CANNED PINEAPPLE TO FRANCE, AND CONSIDER THAT FUTURE DISCUSSIONS WITH GOF SHOULD BE GAUGED TO ACHIEVE THIS GOAL. ON THIS BASIS, AND ASSUMING THE FRENCH ARE WILLING TO DISCUSS POSSIBLE WAYS TO GIVE US SATISFACTION ON THIS ITEM, WE SEE TWO ALTERNATIVE APPROACHES OPEN TO US. BASED ON THE LACK OF ANY OFFER ON PINEAPPLES, THE GOF CLEARLY EXPECTS THAT WE WILL SEEK SOME KIND OF COMPENSATION, EITHER A RETALIATORY WITHDRAWAL OF US CONCESSIONS OR SOME FORM OF COMPENSATION BY THE GOF. DREE OFFICIALS HAVE INFORMED US THAT THEY ARE NOT PREPARED TO CONSIDER LATTER POSSIBILITY AT THIS TIME AND ARE READY TO DISCUSS OUR ESTIMATES OF DAMAGE TO US TRADE AND OUR PROPOSED RETALIATION.

5. AN ALTERNATIVE APPROACH WHICH WE HAVE BEEN CONSIDERING IS TO EXPLORE WITH THE GOF THE POSSIBILITY OF AN ASSURANCE NOW OF A REGULAR REPEAT REGULAR ANNUAL INCREASE IN THE PINEAPPLE QUOTA (E. G., 25 PER CENT) BEGINNING IN 1974 OR 1975. THE GOF MAY BE WILLING TO BET THAT EITHER A SYSTEM OF DEFICIENCY PAYMENTS FOR FWI PRODUCERS OR MINIMUM IMPORT PRICES FOR PROCESSED FRUITS AND VEGETABLES WILL BE IMPLEMENTED BY THE EC BEFORE THE QUOTA INCREASE GOES INTO EFFECT, THUS ELIMINATING THEIR PROBLEM, AND TRANSFERRING OUR COMPLAINTS TO THE COMMUNITY.

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PAGE 01 PARIS 09546 02 OF 02 051815 Z

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TO SECSTATE WASHDC PRIORITY 8963
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LIMITED OFFICIAL USE SECTION 2 OF 2 PARIS 9546

6. THE FIRST APPROACH HAS SEVERAL ADVANTAGES, I. E., COMPENSATION FOR TRADE DAMAGE, REINFORCEMENT OF THE ADMINISTRATION'S CREDIBILITY VIS- A- VIS THE CONGRESS IN USING THE GATT TO PROTECT OUR TRADE INTERESTS. HOWEVER, IT DOES HAVE ONE STRIKING DISADVANTAGE IN THAT IT WOULD REMOVE THE PRESSURE ON THE GOF TO TERMINATE THIS QR LATER ON SINCE WE WOULD ALREADY HAVE BEEN COMPENSATED FOR OUR TRADE DAMAGE. ADDITIONALLY, WE PRESUME THAT OUR RETALIATION COULD NOT EASILY BE ADJUSTED UPWARD TO TAKE ACCOUNT OF A GROWING FRENCH MARKET. WE WOULD ALSO NOTE THAT IT IS INCONSISTENT WITH WHAT WE SEE AS OUR BASIC OBJECTIVE IN THESE NEGOTIATIONS, INCREASING OUR EXPORTS OF CANNED PINEAPPLES TO FRANCE.

7. THE OTHER ALTERNATIVE IMPLIES CEDING ANY CLAIM FOR DAMAGE TO OUR CURRENT EXPORTS IN EXCHANGE FOR A PROMISE OF FUTURE RELIEF. HOWEVER, REGULAR ANNUAL INCREASES IN THE QUOTA WOULD, WITHIN A REASONABLE PERIOD OF TIME, RENDER THE QUOTA MEANINGLESS. IT MEETS OUR PRIMARY OBJECTIVE OF PERMITTING AN INCREASE IN US EXPORTS TO FRANCE WITHOUT LIMITED OFFICIAL USE

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PAGE 02 PARIS 09546 02 OF 02 051815 Z

BECOMING INVOLVED IN RETALIATORY MEASURES. IT HAS THE ADDITIONAL ADVANTAGE OF ENABLING US TO WRAP UP THIS LONG-STANDING BILATERAL PROBLEM FOR GOOD, WHICH WE UNDERSTAND WAS A PRIMARY GOAL OF THIS EXERCISE IN THE GATT.

8. RECOMMENDATION: WE CONSIDER THE SECOND ALTERNATIVE -- NEGOTIATION OF A FUTURE INCREASE IN THE QUOTA WITHOUT RETALIATION -- ON BALANCE TO BE THE PREFERRED SOLUTION IN THE CONTEXT OF US/ GOF RELATIONS. HOWEVER, OTHER CONSIDERATIONS MAY BE INVOLVED OF WHICH WE ARE UNAWARE. ACCORDINGLY, WE ARE NOT RECOMMENDING A SPECIFIC COURSE OF ACTION. WE DO RECOMMEND, HOWEVER, THAT WE BE PROVIDED WITH UPDATED ESTIMATES OF DAMAGE TO US EXPORTS AND A LIST OF SUGGESTED RETALIATORY ACTIONS FOR USE IN OUR DISCUSSIONS WITH THE GOF. WE ALSO RECOMMEND THAT WE BE INSTRUCTED TO ACCEPT THE GOF OFFER CONTAINED IN ITS NOTE VERBALE OF MARCH 28, AND TO INFORM THEM OF OUR AGREEMENT NOT TO RAISE THIS MATTER IN THE GATT. EARLY RECEIPT OF GUIDANCE ON LINE WE SHOULD TAKE IN NEGOTIATIONS ON CANNED PINEAPPLE PROBLEM WILL ENABLE US

TO PURSUE THIS MATTER AND BRING IT TO A QUICK CONSLUSION.
EXEMPT.
IRWIN

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